SUMMARY OF PROCEEDINGS

LEADERS' SYMPOSIUM

Making Accountability Work

Ontario CCAF-FCVI

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Ontario Ministry of Finance and CCAF-FCVI

Summary of Proceedings

Leaders' Symposium

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Foreword

The Ontario Ministry of Finance and CCAF-FCVI are pleased to present this summary of the proceedings of a leaders' symposium co-sponsored by the two organizations and focussed on the theme, *Making Accountability Work*. The symposium took place in February 1999 and involved twenty key members from the governance, management and practitioner communities. These individuals are listed in Appendix A.

There are several reasons why the two organizations joined together in this collaborative venture. These reasons include: a strong, mutual interest in the accountability issue; a coincidence of past, current and planned initiatives in the area; and, a shared conviction that significant and sustainable progress on this matter needs to be — and can be — made.

This document captures the discussion and sage advice of the participants themselves—**not necessarily the views of either the Ontario Ministry of Finance or CCAF**—in relation to several strategic issues. Each of these issues has emerged as being important to current government initiatives aimed at strengthening accountability relationships between itself and a wide variety of organizations that receive significant government funding in the form of transfer payments.

The Ministry and Foundation would like to express their deep appreciation to all symposium participants, each of whom gave generously of their time and advice. The active and thoughtful exchange of perspectives that took place yielded key insights concerning basic principles, and practical strategies and steps, for the government to consider as it pursues its accountability initiatives.

Appreciation is also extended to four individuals whose creative thinking contributed importantly to the design of the symposium program and who skillfully facilitated participants' discussion and deliberations. These professionals are: Yves Gauthier, CA, Partner, KPMG Canada; Trent Gow, President, Thompson Gow & Associates; Roy Hains, CA, President, RFH Associates; and, Patrick D. Lafferty, FCA, CMC, Partner, PricewaterhouseCoopers.

We also recognize and thank Robert Siddall, CA, Controller, Ministry of Finance, and David Moynagh, CCAF Director of Research, and their colleagues and associates, for their outstanding achievement in all aspects of making the symposium a reality. We would also like to acknowledge the contribution of Hugh R. Hanson in drafting this report.

BRYNE PURCHASE
Deputy Minister, Ontario Ministry of Finance

JEAN-PIERRE BOISCLAIR *FCA, CMC*
President, CCAF - FCVI

Executive Summary

Background

The Ontario Government is determined to do all it can to ensure that good value is received from the money it raises from its taxpayers and spends on their behalf. To this end it has undertaken a thorough review of its management practices and accountability regimes.

An important step was taken in July 1995 when the government established the Ontario Financial Review Commission to review the government's accounting, reporting and financial management practices. The resulting report laid the foundation for much of what has since been done to increase accountability in the public service, presenting a framework for the better use of resources throughout the public sector.

Subsequently, following the Commission's recommendations, the government adopted a new planning framework, established an annual business planning process for its ministries, and has continued efforts to identify and follow best practices, refine performance measures, and report on performance against plans.

The government's direct operations, however, account for only a portion of its total expenditures. Currently, the Government of Ontario spends over sixty percent of its budget on transfer payments—money supplied to such service providers as hospitals, universities and colleges, school boards, municipalities, and social service deliverers. In sectors with a wide variety of governance structures and reporting styles, it can be difficult to determine consistently how well that money is spent and what outcomes it has achieved. Action is needed to improve this situation.

Action taken

In the 1997 budget, the Finance Minister announced that the government would be introducing a *Public Sector Accountability Act*. This legislation will aim to improve program performance by organizations funded by the government. It will do this by requiring:

- preparation of plans to meet clearly identified objectives and results
- measurement of performance against those objectives and results
- public reporting on progress made, and

...by encouraging the adoption of best practices.

Since that announcement, the Ministry of Finance has held a number of one-on-one consultations with several key stakeholders regarding the nature and value of implementing a legislated accountability framework. These discussions confirmed the span, variety and complexity of the networks of accountability relationships between government and transfer payment recipients, between the boards and management of the organizations concerned, and between these organizations and the clients and communities they serve.

As a follow-up to these one-on-one consultations, it was decided to seek out, on a broader basis, the strategic advice of selected people in the governance, management and practitioner communities—people who have a broad perspective of the dynamics of the public accountability process and who are leading thinking and action in this area. It was decided to approach some people from within the public sector, and others from outside or who work in partnership with it.

The objective was to create a unique event that brought together this eclectic group of leaders to discuss and challenge ideas already on the table and to add their own in the process. It was not just the perspectives of participants as individuals that was being sought, but the creative synergy of ideas that could be achieved through the active exchange of these perspectives among the group as a whole. This was also to be an opportunity to test the power and applicability of various ideas across organizational and sectoral lines. From this it was expected that the government would be in a better position to focus, steer and implement accountability improvements in the public sector.

The vehicle chosen to accomplish this was the 21 February 1999 day-long symposium organized jointly by the Ontario Ministry of Finance and CCAF.*

Several key issues and questions had risen from the one-on-one consultations about the best means of supporting ongoing improvements in accountability and governance practices, and these issues formed the basic agenda for the symposium.† Discussion was animated and intense, and the result was a challenging and rewarding experience for all who attended.

Key principles to guide future action

Although there was no intention to gain a clear consensus on the issues, the participants found themselves in general agreement on a number of important principles. Briefly stated, they are the following:

- Success will depend at least as much on people and values as on procedures and process. Committed and sustained leadership is needed, with positive incentives and rewards for taking risks and making improvements. The thrust must be to move and improve, not to shame and blame.
- It is recognized that many organizations will find it difficult to identify appropriate performance measures and that one shouldn't expect perfection. Nevertheless, it is important to make a start and to make improvements as experience is gained. This is one area where "Just do it!" is the message. Constant improvement and renewal are called for.
- While the accountability regime must satisfy the needs of the funders, it should also accommodate the interests and needs of the clientele—those who receive the service. Reliable, pertinent and timely information can help clients make informed choices (where options are available) and play their role in holding providers to account.
- There is an important role for third-party assurance to add credibility and to safeguard the integrity of the accountability regime. A role—perhaps played by quality councils in the various service sectors—could include the ongoing assessment of accountability arrangements and the suitability of performance measures and performance information, and encouraging the adoption of best practices. The intent is to add value to the work of the parties to these arrangements, not to diminish or usurp their functions (e.g., the oversight role of a ministry and the legislature), nor to just add another layer of bureaucracy. Having said this, the role of such quality councils would need to be carefully defined.
- Any legislation in this area should be enabling and dynamic, not prescriptive or static. It should focus on principles, not details, and be sufficiently flexible to allow for the enormous diversity of service providers—one size does not fit all. It should outline the responsibilities of the key parties and underline the importance of performance measurement and reporting.

A list of participants is found in Appendix A.

† These issues and subsidiary questions are described in Appendix B.

- Although some members of the boards of service providers may also be members of a special interest group, they must make that interest secondary to their responsibility to foster the good of the organization as a whole. The role of a governing body is to balance the various interests and support the overall mandate and objectives, not to further some special interest.

Adopting these principles will lay the foundation for a sound and increasingly effective accountability regime for the province's many and disparate service providers.

A fuller discussion of these key issues and of other matters raised at the symposium is found in the main text of this report.

Main Report *on* Proceedings

Introduction

Background

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Subsequently, following the Commission's recommendations, the government adopted a new planning framework, established an annual business planning process for its ministries, and has continued efforts to identify and follow best practices, refine performance measures, and report on performance against plans.

The government's direct operations, however, account for only a portion of its total expenditures. Currently, the Government of Ontario spends over sixty percent of its budget on transfer payments—money supplied to such service providers as hospitals, universities and colleges, school boards, municipalities, and social service deliverers. In sectors with a wide variety of governance structures and reporting styles, it can be difficult to determine consistently how well that money is spent and what outcomes it has achieved. Action is needed to improve this situation.

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Since that announcement, the Ministry of Finance has held a number of one-on-one consultations with several key stakeholders regarding the nature and value of implementing a legislated accountability framework. These discussions confirmed the span, variety and complexity of the networks of accountability relationships between government and transfer payment recipients, between the boards and management of the organizations concerned, and between these organizations and the clients and communities they serve.

They also emphasized that recent changes in government, including the way it does business, are creating new challenges. Continuing fiscal restraint and a shift towards results-based management means that there is a sharper focus on ensuring the most effective use of public resources. Moreover, as Ontario and other provinces move away from direct program delivery towards a broader use of third parties, new relationships are emerging that require fresh accountability arrangements. This involves all manner of organizations across the various service sectors.

As a follow-up to the one-on-one consultations, it was decided to seek out, on a broader basis, the strategic advice of those in the governance, management and practitioner communities—people who have a broad perspective of the dynamics of the public accountability process and who are leading thinking and action in this area. It was decided to approach some people from within the public sector, and others from outside or who work in partnership with it.

The objective was to create a unique event that brought together this eclectic group of leaders to discuss and challenge ideas already on the table and to add their own in the process. It was not just the perspectives of participants as individuals that was being sought, but the creative synergy of ideas that could be achieved through the active exchange of these perspectives among the group as a whole. It was also to be an opportunity to test the power and applicability of various ideas across organizational and sectoral lines. From this it was expected that the government would be in a better position to focus, steer and implement accountability improvements in the public sector.

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Format

Following an introductory plenary session, the participants split up into four discussion groups. Each of these groups was asked to examine a key area that had been identified during the consultations that preceded the symposium. They were provided with a short list of subsidiary questions to guide the deliberations.** A facilitator in each group helped with the discussion and kept track of the points raised. When the participants resumed in plenary, the facilitators outlined their group's thinking and led the general discussion that ensued.

In the plenary session, it soon became clear that facets of the four broad issues overlapped, as a number of points were raised in more than one group. In addition, some issues that had not been specified gave rise to discussion.

The summary that follows is intended to capture the highlights of the discussion. Because of the overlapping of issues, the summary is organized by major topic rather than by the four broad subjects of the breakout groups.

This summary has been shared with the participants to ensure that the views expressed are presented accurately.

*The list of participants is found in Appendix A.

**These issues and subsidiary questions are described in Appendix B.

Some Governance Considerations

A number of issues concerning governance of service-providing organizations arose at various times during the discussions. Although several are only loosely related to the others, they all deserve consideration.

Board composition *and* role

The term "stakeholder" gave rise to a discussion of the composition of public sector governing bodies.

There was agreement that accountability should be approached from a broad public interest and governance perspective. As a general principle, accountability, and the conversation about accountability and governance, need to be framed among those who are in governance and trustee roles rather than by those solely representing special interests.

While some members of boards may have a special interest in the service provided, they should be able to give primary place to the overall mission of the organization in their deliberations, rather than to the promotion of their narrower special interest. Commitment to a specific interest should never override broader governance obligations.

> *"All participants in governance need to be focused in on the question of who is benefiting and keep in mind the point of view of the client."*

Stakeholder models of governance are in part a substitute for market models. They are based on the expectation that, by having interested stakeholders on the board, the organization will be directed in a way that satisfies the needs of its clientele. Where clients have no choice about where to go for service—unlike the marketplace with various, often fiercely competing providers—their interests are often represented on the board.

If an organization can provide more and better information to its clients and the general public, however, the need for direct stakeholder involvement *per se* is diminished, and one can rely more on representatives of the general public to guide the organization in the best interests of all concerned. Having every client well informed far outweighs the benefit of having, for example, the president of a stakeholder group at the boardroom table.

> *"There are a lot of lessons to be learned. The grass is brown on both sides of the fence."*

All participants in governance need a common view of what is the business of the organization, exactly who its clients or customers are, and specifically what benefits are expected. They have a responsibility to define the organization's intended results for both the short and longer term. They should also monitor the actual results and provide accurate and timely information about them.

It is appropriate that any legislative provisions respecting governance should focus on clarifying the purpose of the organization as a whole and what the governing body is expected to do. This should help trustees to understand and focus on their responsibilities to the institution and to balance the often competing claims of various stakeholders.

Governance structures and accountability regimes should be subject to constant renewal to keep them relevant in changing circumstances. It might be helpful to have some sort of peer-group review of these structures on a cyclic basis.

To whom *are* boards accountable?

Quite different views emerged from the discussion. One is that boards of service-providing agencies should be primarily accountable **to the clientele**. Reports on performance should be made easily available to users of the service. If sufficient information on performance is provided, clients can be said to have made a fully informed choice, and one does not have to worry about other accountabilities at all. For example, the test for a patient with a heart problem may be how long it takes to become sufficiently informed to make a decision about whether it is better to go to hospital A or to hospital B.

This approach emulates as far as possible the market model, with its inherent advantages of automatic accountability. It was pointed out that many of Ontario's service organizations were established in the first place by private citizens wanting to fill an identified societal need: they are in fact a product of market forces.

A different view is that the boards are primarily accountable **to the funders**. In most cases this will mean that the prime accountability is to the ministry, unless by statute it is required to report to the legislature. In many cases there are multiple funders, and this should be taken into account.

It is recognized, however, that the funder will have a tendency to use the information and to put pressure on the funded entity in accordance with its own agenda. With this dominant emphasis, there is an inherent risk that the accountability information's content and format will favor the needs and expectations of the funder and be of lesser use to other stakeholders. Consequently, the accountability framework must provide the assurance that the needs of others are also properly taken into consideration. The board of the organization can be seen as an intermediary between all stakeholders, and accordingly it should ensure that the accountability process is useful for all.

Another view put forward and strongly supported is that there are two levels or streams of accountability: the institutional level and the client-service level. For example, a board providing benefits to injured workers is accountable for the actuarial liabilities of the organization as a whole, as well as for the quality of service provided to qualified recipients. According to this view, it is the job of the board to find an appropriate balance between these two accountability streams and to serve each satisfactorily.

An Accountability Framework

Some key defining features

The overriding purpose of an accountability framework is to contribute to the enhancement of administrative performance and to the improvement of service delivery. It makes its contribution through the capture and distribution of information for informed decision-making by all parties concerned. To do this effectively, it has to display certain characteristics.

An accountability framework is not a miracle solution, but rather a tool that can provide the proper focus and common vision of an enriched accountability regime. Importantly, it must also provide greater benefits than the cost and administrative burden it necessarily imposes.

The accountability framework must meet the needs and expected benefits of the key stakeholders, which requires gauging the relative importance of the particular needs of different parties (funders, clients/users, community, governing body, management, etc.). Careful thought and perhaps delicate negotiations are called for here.

The framework should allow professionals to address fully their quality-of-service issues, the elements of professional ethics, and the continuous improvement of best practices. It should also address the "inflated sense of entitlement": the right of key stakeholders to comprehensive information on targets, standards, results, and effective use of resources.

Fairness, predictability and consistency are key features of any successful accountability regime. People need to know that they are going to be treated fairly, in a consistent manner, and with a certain element of predictability.

> *"To work well, the system needs certainty over a period of time."*

Because change is an inevitable constant, the accountability structures should be subject to continuous renewal. They should be adapted to accommodate changes in circumstances, personnel and technology. To ignore change is to invite future irrelevance, and eventual dissolution.

Importantly, too, the accountability regime should be politically neutral. Whatever its political stripe, the government's support is essential. Different governments may have different priorities, but their commitment to the overall regime is crucial. Without continuing pressure from the top, progress will inevitably grind to a halt, and accountability will eventually join the list of atrophied managerial initiatives.

> *"In the UK, the Blair government took the (existing accountability regime) and then introduced different priorities but kept the central mechanisms at the core."*

Seek market replication

Markets have traditionally provided a degree of automatic accountability to the customer that has not been replicated in the public sector. In the private sector, a dissatisfied customer can usually turn to another brand of product or a competing supplier of service; satisfaction breeds loyalty—both are forms of accountability.

In the public sector, however, there is less inherent discipline of the market, and accountability has been built around inputs and processes rather than on results in terms of benefits for clients. The objective should be to find ways of talking about results, focused on behalf of clients, as an inherent feature of an accountability regime. That's where performance measurement comes in.

Like the market, a public sector accountability regime should allow for change, recognizing that what clients will likely want five years from now will be different from what they need today.

In the private sector, it is usually in a corporation's interest to provide customers with as full information about its products and services as possible. Few such incentives are inherent in public services, and there have been few sources of information for accountability. What is needed is greater transparency, more and better information distributed in a timely manner. Advancing technology is making information cheaper and easier to get, so the challenge is to capture the information in meaningful ways, get it out there and let the public have easier access to it, thereby becoming better informed.

"How do we put in place those things which within a market environment happen without the kind of orchestration that we're necessarily talking about here?"

In the market, contractual obligations are accepted as a matter of course. In the public sector, performance contracts could be useful in achieving mutually agreed and understood expectations. Such contracts, identifying the results to be achieved, could be between the boards and management of organizations, and between the boards and the funders and perhaps other stakeholders.

Taking the accountability regime in these directions will substantially enhance its effectiveness.

Clarity of purpose

It is not possible to hold people properly accountable unless there is agreement on expectations for results. Means must be found to gain a common understanding of expectations that can form the basis for holding people accountable. This will require mutual agreement between payers and providers, particularly with regard to expectations, goals and performance measures. Given agreement on expected results, it is possible to relax control of inputs without losing influence on how the public interest will be served.

"A muddy mission will produce muddy results."

And accountability should be partnered with appropriate authority; there must be an appropriate balance here. This could be called managerial coherence. The board of a Crown corporation, for example, cannot reasonably be held fully accountable for results if it lacks the power to choose its own chief executive.

System-wide dialogue

In the public sector, organizations work within larger systems, such as the health system or the education system. It would be useful, therefore, to have an accountability dialogue at both the

organizational and system levels. Where public funds provide a significant portion of the system's revenue, the government should be a party to that conversation. Leadership must be found within the system to push this agenda, to sustain the momentum, and to make the necessary investment both now and on an on-going basis.

The objective of the dialogue would be to find a blend of consistency and diversity that allows comparability among the individual organizations and yet permits each to adopt goals and measures that are suited to its particular circumstances—its core business, expertise and clientele.

> *"There may be ten things in common, but ten things that are unique to that organization."*

Providing benchmarks, or at least minimum standards, is important, since it allows all stakeholders, including members of the public, to have an understanding of how one organization compares with others. To aid in this, accountability measures should not be chosen at a such a high level of abstraction that people cannot really understand what is actually going on in the institutions.

> *"It's important to keep in mind that in something like the health care sector broad variation in outcomes is only acceptable if the worst hospitals are competitive with others."*

The structure should be designed to tap the expertise of those on the front lines in a vast variety of public service organizations and to transmit their input with integrity. The challenge will be to build the structure without being too prescriptive and without endangering the diversity that is so highly prized.

Performance measurement *and* information

Performance measurement and information are critical components of the accountability framework. They can be described as the currency of accountability.

Once goals and expectations have been defined and agreed, performance measures can be chosen. Developing these measures should involve taking account of the views of all relevant players, including front-line practitioners. It will be important to establish just who will be the final arbiter if there is disagreement about proposed measures. This might be a role that could be played by a third party, such as the quality councils discussed below.

If they are to be useful, performance measures must be relevant to the providers and to the clientele. Practitioners should see them as defining their objectives, and the public should see them as what it wants. Performance measures should be sensitive to system-wide benchmarks as well as to the particular characteristics of the specific organization. We should not try to standardize the quality of services, but rather set standards as reference points (these could be minimum standards).

Benchmarking and identification of best practices can complement the information on performance gathered internally. We cannot assume full comparability, however, because the mission and the priorities will vary among organizations in the same field. There are also many variables in the clients being served and in the service delivery context that will significantly affect comparability. Accordingly, the measurement and evaluation process must allow for such differences.

> *"You can't have 'one size fits all.'"*

When measuring performance, we must address the issue of validity and objectivity of the information gathered and reported. This is critical to maintaining and improving the climate of trust and confidence that fosters an effective accountability regime. Nevertheless, we cannot expect all measures to be quantifiable: some key information will be qualitative, and this information must be captured and reported as credibly as possible.

Performance measures must be chosen with great care. People tend to do what is measured, and the danger is ending up with better looking results but not really serving the needs of the clientele. Where there are defining contracts and specific expected outcomes, people may do what the contract calls for but neglect other matters that also need doing. One must be careful about what one asks for—one may get it and only that.

An issue that deserves careful thought is who should do the measurement of performance. The answer to this may depend on the nature of the information needed and which party is in the best position to capture it. It may also depend on the analytical capacity of the parties, since this capability is not currently in surplus supply. This is an area where increased investment must be considered.

The Role *of* Incentives

The role of incentives in improving public sector performance is one to which little attention has been paid in the literature and in practice. Generally, the focus has been on sanctions that can be used to correct a problem or poor performance. It has not been on identifying positive incentives that can help create an environment within which public accountability can be strengthened and performance improved.

> *"The focus is too much on 'gotcha'."*

This is reflected in the accountability situation in government, which tends to focus on laying blame on or embarrassing an organization or individual for some slip. Public sector executives are not funded on risk and do not manage by it—but they are judged on it. Somehow we must change this cultural orientation.

> *"Not to blame and shame but to move and improve."*

Positive incentives are needed to encourage improved performance. This means that there should be incentives for both organizations as a whole and for the individuals within them. The sum of individual behaviour, after all, constitutes organizational performance. Accordingly, incentives, which should relate directly to established performance measures, must reach down even to those who are not outstanding in their jobs. People need to understand what value added and risk really mean, for otherwise operations will go on as before, mired in a bed of security.

Some disincentives *and* obstacles

An unfortunate part of the public sector culture at senior levels is that it does not usually reward heroes. Executives who take chances and get ahead of their colleagues sometimes find themselves the target of criticism.

> *"There is a tendency to say: 'Whoa there. I'm hanging myself out here and I'm going to get shot.'"*

If progress is to be made, that culture and its inherent management style must be overcome, and executives encouraged to experiment and to allow more transparency in their operations. Of course, this sort of change may take some time and needs to be managed carefully.

In addition, our political culture has difficulty accepting differences in outcomes: pressures for equity undermine performance. There is a sense that if one succeeds the rewards will simply be taken away in the interest of equity. The desire for equality of outcomes too often means that much of the gains are given—or taken—away. This is a clear disincentive for the risk taking and innovation that are necessary for improving performance.

> *"If the results and incentives aren't relevant to the consumer, everything is very interesting, esoteric, and is probably a waste of time because you can't explain it to them in a public environment."*

There is substantial evidence that organizations that have merit-based compensation perform better. Typically—usually by collective agreement—there is no merit-based compensation in the great majority of public services. Ontario has introduced incentive pay at the senior management level, and has recently concluded an agreement with a small bargaining agent for incentive pay for front-line workers. The federal government is also introducing incentive pay at the executive level. Could this be encouraged more throughout the public sector?

A danger

A danger is the possible perverse effects that may rise from certain incentives. For example, an acute care hospital may be encouraged to reduce costs and does so by discharging patients earlier than has been its practice. This may have the effect of shifting costs in three ways: increased home care costs, increased drug costs to be picked up in the community, and possible re-admission to another facility. Adverse side-effects must be considered carefully and guarded against.

One way of countering these effects could be to have more horizontality in the organization structure. In this way, a number of units, perhaps with quite different structures and mandates, are coordinated under a broad umbrella or portfolio. Both the individual units and the portfolio would develop business plans. Opportunities to shift costs from one component organization to another could be caught when proposed business plans are examined at the centre.

Allowing the transfer of some marginal resources from one unit to another in a horizontal structure could provide a positive incentive for improved performance.

> *"If you work with big enough margins you can accomplish a lot of other change and good without taking on the political economy of total change."*

Incentives *from* third parties

Maclean's magazine's ranking of Canadian universities is an example of a third party providing an impetus for improvement.

Ontario's Education Quality and Accountability Office provides a kind of third-party review, and its work serves as a catalyst by creating incentives for improvement. Comparative testing encourages an element of competition, and schools that are poorly rated will want to do better in the future. In the United States some magazines rate/rank hospitals, providing potential patients with some factual basis for making comparisons and choices. One must be careful about the possible side-effects, however.

> *"In the U.S., they've been publishing score cards on cardiac surgery.... The surgeons themselves say the main effect has been that they turn down high-risk patients."*

It might be considered an incentive if the system had a neutral, central place where payers and providers could go to play out mutual concerns. It could be a buffer between them when they are unsure or at loggerheads over performance issues. Such a possible buffer is discussed below under the heading *Quality councils*.

Getting Started

What is needed is to make a start. Accept that the first attempts will not be perfect: the ideal should not get in the way of the good.

> *"Just do it!"*

Already there are examples of benchmarks and performance measures in several sectors. Now we need to find a central framework to bring all this together so the public has a better understanding of what has been done. Where gaps are identified, they can be filled as we go along. A solid first step, followed by pressure to take the second and third, will do a lot of good. It's important to be positive; it's about creating choices and a better market.

Although it cannot be accomplished overnight, it's important to start implementing the accountability regime in a fairly aggressive time frame. Everyone should be involved. Simultaneously, it should be recognized that moving ahead will be more difficult for some than for others. Where there is limited capacity, take limited steps and look to make improvements in the future; even a modest beginning is better than standing still.

> *"You can't do this overnight and cultural changes will be difficult to manage. So, really, you have to focus on the start of the line and not at the end of the line."*

As mentioned above, an accountability regime can take on a punitive bias. To minimize this risk, the vision should be oriented to improving, to moving forward. There should be a clear understanding and agreement by the players in the accountability regime on the goal of making progress and gaining benefits. In addition, there must be an understanding and acceptance of risk, as well as a tolerance for less than ideal results when risks are taken. Such an orientation should influence management style and governance culture, including the creation of an atmosphere where there is trust and confidence regarding the constructive use of information on results and performance.

Leadership for this should come from the government; its insistence will ensure movement. Without the force of political will and pressure, the demands of ongoing administration will push accountability initiatives to the back of a very deep shelf.

A provincial auditor's role is to test the accountability structures and assess the quality of the investments being made. For example, he/she should challenge ministers to address the question of what value boards add and what is being done to assist the boards. As well, he/she should recognize that early perfection is impossible and should encourage and reinforce those who are experimenting.

About legislation

One train of thought suggests that legislation is not necessary to make progress. Experience shows that accountability comes attached to the money. Conditions attached to transfer payments, simply as part of the government's spending power and without legislation, can have a marked influence on performance.

Even though that is so, the advantage of legislation in Ontario may be to help inform and galvanize public support. It's very presence would

emphasize the importance of accountability and the sincerity of the government's intentions in this regard. It would engage members of the legislature in the debate over its provisions. At later stages, legislative committees could play a valuable role by considering the particular results expected of those departments and agencies within their portfolios of responsibilities. When results are reported, these committees could review them and become an on-going part of the process. Such discussions could help focus public attention on broader issues than just the amount of money that is provided and spent.

> ***"Without legislation we wouldn't have gotten where we are today."***

If there is to be legislation, the focus should be on principles, not details. There is far too much variety in the recipient organizations to make one set of prescriptions fit all. It should set out the government's broad view of governance and accountability without getting into the specifics of particular arrangements. Among the principles contained in legislation could be the need for performance measurement and reporting and an endorsement of the use of positive incentives to achieve accountability goals. Legislation should also set out the broad purpose of the organization as a whole and what a governing body is expected to do.

> ***"Details can become roadblocks or obstacles that get in your way and in doing so they probably hurt the credibility of the whole."***

The Role *of* Assurance

A view *of* assurance

To lend it credibility, the accountability regime should make provision for third-party assurance. This assurance role should not be part of the accountability process *per se*, as it will be most effective if it is as independent and objective as possible. It stands apart from the actual process and adds value through its authoritative oversight and commentary. Assurance comes at the end of the process to comment on the fairness of the performance information provided. It could also play a role at earlier stages, assessing and commenting on the adequacy of the overall accountability arrangements and/or the appropriateness of the performance measures chosen.

> *"I think the key elements of this are attestation and audit and evaluation. In the United States, they have large home care agencies that weren't even delivering the care that they were created for."*

The role of assurance should be characterized as that of an honest broker—knowledgeable, objective, independent, a catalyst—but not having a direct role in determining or accomplishing outcomes. This broker should represent neither the funder nor the service sector. Its role is not to serve as a policeman or fixer, but to be a stimulant and encourager.

The need identified is for an independent body to lend credibility to the performance reporting called for by the accountability regime. Institutions need someone looking over their shoulder if progress is to be made, and it is preferable that this not be a department of the government. Such an intermediary linkage between trustees and the government, driven by people in the sector, would be helpful. It could spur the generation of appropriate measurement standards that people are comfortable with and that they would agree to be assessed by.

The information coming from the process would be helpful to the government and other stakeholders. Governors would be able to answer questions about how well they are doing their jobs. With this sort of intermediary, the government could step back a pace and concentrate on making sure that these processes are in place and assessing their effectiveness. This kind of model is more likely to succeed than one driven by a direct linkage between the government department and the particular sector.

Quality councils

Traditionally, the assurance role in the government-funded public sector has been provided by private sector auditors whose primary mandate in this regard is to provide assurance on the financial accounting and reporting. That assurance is essential and must be retained. But these auditors are not mandated to provide assurance on all aspects and outcomes of the accountability regime, and they cannot be expected to have the specialized subject-matter expertise and skills specific to these various service sectors. Several participants expressed the need for an additional mechanism, one that incorporates these broader areas of expertise, to lend credibility to all aspects and outcomes of the accountability regime.

It was suggested that a quality council could be established in each service sector to play the honest broker and assurance role. The intent, it was also noted, would be to add value to the work of the parties to the accountability regime and arrangements, not to diminish or usurp their functions (e.g., the oversight role of a ministry and the legislature), nor to just add another layer of bureaucracy. Having said this, the role of such quality councils would need to be carefully defined.

The council should comprise people who are recognized by their peers as leaders in the sector. Only practitioners can recognize the non-financial, realistic performance measures important to an organization and its clients. In addition, other expertise will be required on the councils—professionals in such fields as engineering, accounting, and finance—to round out their capacity to evaluate economy, efficiency and effectiveness in performance measures and reporting.

The councils would assess and comment on the overall suitability of the accountability arrangements. They would also assess and comment on performance measures proposed by organizations in the sector and on the performance reports of those organizations. Council reports would be directed to the organization and the funder, and would be made public. And while they would report in a constructive manner on identified problems, they should not be directly involved in any remedial actions.

It can be expected that there will be agreement on the majority of performance measures. Where there is disagreement, the council will try to broker an accord. Where an organization's performance fails to meet expectations, the governors and management should prepare a plan for improvement in the next cycle. If the situation does not improve, the funder will have to consider what action it must take. For example, certain current legislation provides for trusteeship in the event of financial failure.

Periodic council reports should be timed to correspond to the natural business cycle of the organizations. By documenting and reporting on best practices, the quality councils could contribute to improving performance in their sectors. It is not anticipated that cyclic reviews would cover all organizations in the system. To ensure that the assurance investment has the biggest payback, priority should be given to large institutions, with the expectation that smaller ones will adopt the reported best practices.

The government could use incentives and disincentives to underline the importance it gives to council reports.

It is anticipated that the costs of the councils and their reports will be returned many fold. They can help ensure that slack in the system is directed to where it will be most effective on the front line.

Attention should be given to finding ways of providing assurance at the level of the transaction or as near to it as possible. This would make it meaningful for consumers and should not cost a great deal of money. There are probably many micro-loops where change can be managed and positive impacts can be produced.

Conclusion

A constellation of factors dictate that action must be taken to ensure that there are suitable accountability arrangements in place for organizations spending public funds. Given the amount of money the government provides them, and given the direct effect they have on the well-being of the people of the province, service providers who receive transfer payments should demonstrate their accountability in a direct and systematic manner.

The designing of an accountability regime is something that must be done with great care and with the participation of all parties concerned. The provision of more and better performance information must be accompanied by a cultural change that is tolerant of risk-taking and committed to transparency. This requires continuous political commitment, and dedicated leadership from both the government and the various service sectors.

A great deal was learned from the animated discussions at the February leaders' symposium. The following are the key messages that may be drawn from that exchange—messages that reflect the thinking of the symposium participants themselves, but not necessarily shared by the Ontario Ministry of Finance or CCAF:

- Success will depend at least as much on people and values as on procedures and process. Committed and sustained leadership is needed, with positive incentives and rewards for taking risks and making improvements. The thrust must be to move and improve, not to shame and blame.
- It is recognized that many organizations will find it difficult to identify appropriate performance measures and that one shouldn't expect perfection. Nevertheless, it is important to make a start and to make improvements as experience is gained. This is one area where "Just do it!" is the message. Constant improvement and renewal are called for.
- While the accountability regime must satisfy the needs of the funders, it should also accommodate the interests and needs of the clientele—those who receive the service. Reliable, pertinent and timely information can help clients make informed choices (where options are available) and play their role in holding providers to account.
- There is an important role for third-party assurance to add credibility and to safeguard the integrity of the accountability regime. A role—perhaps played by quality councils in the various service sectors—could include the ongoing assessment of accountability arrangements and the suitability of performance measures and performance information, and encouraging the adoption of best practices. The intent is to add value to the work of the parties to these arrangements, not to diminish or usurp their functions (e.g., the oversight role of a ministry and the legislature), nor to just add another layer of bureaucracy. Having said this, the role of such quality councils would need to be carefully defined.
- Any legislation in this area should be enabling and dynamic, not prescriptive or static. It should focus on principles, not details, and be sufficiently flexible to allow for the enormous diversity of service providers—one size does not fit all. It should outline the responsibilities of the key parties and underline the importance of performance measurement and reporting.

- Although some members of the boards of service providers may also be members of a special interest group, they must make that interest secondary to their responsibility to foster the good of the organization as a whole. The role of a governing body is to balance the various interests and support the overall mandate and objectives, not to further some special interest.

Adopting these principles will lay the foundation for a sound and increasingly effective accountability regime for the province's many and disparate service providers.

Appendices

Appendix A

Leaders' Symposium Participants

Colin Andersen
Assistant Deputy Minister
Ontario Ministry of Finance

J. Douglas Barrington
Group Managing Partner, National Services
Deloitte & Touche

Jean-Pierre Boisclair
President
CCAF-FCVI Inc.

William Broadhurst
Chief Financial Officer
Archdiocese of Toronto

Ian Clark
President
Council of Ontario Universities

Michael Gourley
Partner
PricewaterhouseCoopers

Joan Green
Chief Executive Officer
Education Quality and Accountability Office
Province of Ontario

V. Peter Harder
Secretary of the Treasury Board of Canada, and
Comptroller General of Canada

Patrick Johnston
President and Chief Executive Officer
Canadian Centre for Philanthropy

Claude Lamoureux
President and Chief Executive Officer
Ontario Teachers' Pension Plan Board

Peter Larson
Executive Vice-President
Public Policy Forum

Robert E. Lord
Vice-Chairman
Ernst & Young

David MacKinnon
President
Ontario Hospital Association

Dr. David Naylor
Senior Scientist Emeritus, and
Professor of Medicine
University of Toronto

Michele Noble
Secretary of Management Board of Cabinet, and
Deputy Minister of Management Board Secretariat
Province of Ontario

Clifford A. Nordal
President and Chief Executive Officer
St. Joseph's Health Centre

Erik Peters
Provincial Auditor of Ontario

J. Robert S. Prichard
President
University of Toronto

Bryne Purchase
Deputy Minister
Ontario Ministry of Finance

Alasdair Roberts
Associate Professor, School of Policy Studies
Queen's University

Mark Rochon
President and Chief Executive Officer
Toronto Rehabilitation Institute

Appendix B
Key Issues and Questions

The following are the key issues and subsidiary questions that arose from the Ministry of Finance one-on-one discussions held prior to the symposium. These formed the basis for the agenda at that meeting and may serve to focus discussion of accountability arrangements by others involved in this important and timely initiative.

Roles of Key Stakeholders in Setting the Accountability Agenda

There are many stakeholders who, potentially, could be involved in influencing or setting aspects of the accountability regime. These include boards and management of transfer recipient organizations, government, service beneficiaries, and the general public.

- Who should participate in and set the funded organization's mission, goals, objectives, plans and performance measures?
- What common agenda can different stakeholders share with respect to public accountability?
- What steps are needed, and by whom, to build the basis of trust for establishing and sustaining public accountability?

Incentives for Accountability

Incentives can underpin and reinforce improvements in individual and organizational accountability. However, there is a general lack of emphasis on incentives both in practice and in the literature on public sector accountability.

- What incentives are currently in place, and which are effective?
- How effective can incentives be?
- Are there disincentives which impede public accountability?

Role of Assurance in the Accountability Process

In recent years, many governments and public sector organizations have taken action to establish, enhance and sustain greater accountability through public reporting on performance. The level of confidence in this performance information can be enhanced through strategies designed to provide assurance about its fairness.

- What value can assurance add, and for whom? What should be the focus of attention of assurance strategies to optimize added value?
- Who should provide this assurance, to whom, and how often? What should be considered in making these decisions?

Implementing Accountability: Issues, Strategies & Conditions for Success

Ministries and representatives of public sector organizations have highlighted the importance of setting priorities in terms of what is required to achieve accountability, and establishing a balance between requirements and the resources needed to implement them. The

challenge is to identify the key characteristics, conditions and reasonable expectations for successful progress in implementation of public sector accountability.

- What key features do accountability arrangements need to incorporate?
- What conditions or strategies need to be in place to support successful implementation?
- What constitutes reasonable achievement and progress? Is it the same for all, or is there a commonly understood continuum and agreement on expectations for a given organization?